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Canada

THE MARKET FOR PRIVATE LABEL FOODS IN FRANCE

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THE MARKET FOR PRIVATE LABEL FOODS IN FRANCE

Team Canada • Équipe Canada

EXECUTIVE SUMMARY

France has the third largest sales of private label foods in the European Union, following the United Kingdom and Germany. Food products account for 66% of total private label sales and were valued at approximately $46 billion(1) in 1999. This sector achieved growth of 10.4% between 1993 and 1997, and is now increasing at an even higher rate. In 1998, French annual sales of private label products were up 6% in volume terms, giving France the second-fastest growth rate in Europe.

While private label foods were originally developed for retailers to increase their competitiveness and profit margins, the market has developed significantly over the last decade. Private label products have now also become a tool for retailers to differentiate themselves from others and build an image, attract and retain customers, vary their product line, and offer lower prices and greater value.

Innovation has played an important role in the success of private label products since retailers have evolved from simply producing "copycat" products to introducing new sophisticated lines of higher-margin, value-added products and range extensions to meet consumer needs. The private label market now offers wider ranges of product lines including budget, value and premium products. These products are able to attract and satisfy a wider scope of consumers and can compete with brand-name products in quality, price and innovation.

Because of their changing lifestyle, French consumers are demanding greater convenience and variety. There is substantial growth potential for convenience foods such as prepared meals, exotic dishes, snack foods, frozen ready meals and chilled desserts.

Food manufacturers and retailers are responding to consumer concerns regarding products containing genetically modified (GM) ingredients by moving away from GM foods and introducing organic product lines. Opportunities for Canadians exist for organic products such as pasta, dairy products, dry groceries, meals and sauces.

Premium quality and value-added foods are experiencing significant growth and may present increased opportunities for Canadians in the French market for medium- to higher-end private-label foods.

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THE MARKET FOR PRIVATE LABEL FOODS IN FRANCE

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MARKET OVERVIEW

France is Europe's second-largest retail market, ranking only behind Germany. Food imports for France totalled almost $30 billion in 1998. Canada's exports to this market reached approximately $80 million in the same year.

With a population of nearly 60 million, France is the second-largest economy in Western Europe. In 1998, the French retail food market, including grocery stores, supermarkets and food retailers, was valued at over $250 billion. At that time, the market was expected to grow by 9.4% over a five-year period, reaching over $274 billion in 2003. Private label food products represented 23% of sales in French supermarkets and hypermarkets in 1998 and are expected to reach a 27% share by 2002.

The market for private label foods has been driven both by a desire on the part of retailers to increase their profit margins and by consumer demand for good-quality foods at prices lower than those of brand-name products. Private label products were first introduced in France in the 1960s as *produits blancs* or "white labels", a cheaper, but inferior alternative to brand products. Since then, retailers have had to reposition their private label products to portray the image of quality, by disassociating the product names from the store names and by upgrading the packaging to resemble brand-name products.

Private labels in France now consist of two categories: own label and exclusive. Own labels consist of the budget and value lines still identifiable with the store and, therefore, retailers have had to improve their quality. Exclusive labels, with non-store names, have been developed to represent the premium-product lines.

Retailers introduced their private label products out of the need to have an edge in a marketplace that had become highly competitive in Western Europe. Retailers can retain a greater portion of the margin for private label products than for brand-name products that carry higher management, distribution and marketing costs. This allows them to pass on part of the savings to their customers, who typically save from 10% to 25%.

The private label market has evolved significantly, and now offers wider product lines including budget, value and premium products. Innovation has played an important role in the success of private label products since retailers have evolved from simply producing "copycat" products to introducing new sophisticated lines of value-added products to meet consumer needs. Budget products attract customers by offering everyday staple goods at discounted prices. Premium products can provide higher margins for the retailer and the image of exclusivity for

the customer.

Private label products have become a tool for retailers to differentiate themselves from others and build an image, attract and retain customers, vary their product line, offer lower prices and greater value, and compete with brand-name products while increasing their profit margins.

After a slight slowdown in late 1998, the economy regained momentum in 1999. Strong gross domestic product growth of 3.5% is now forecast for 2000, driven in part by continued high consumer spending, which increased by 3.6% in 1998 and 2.3% in 1999. Consumer spending is expected to remain strong as wages are increasing at an annual rate of 2.7%.

France has the third-largest sales of private label foods in the European Union following the United Kingdom and Germany. Food products account for 66% of total private label sales and were valued at approximately $46 billion in 1999. This sector achieved growth of 10.4% between 1993 and 1997, and is now increasing at an even higher rate. According to the *1998 International Private Label Yearbook*, published by the Private Label Manufacturers Association, French annual sales of private label products were up 6% in volume terms, giving France the second-fastest growth rate in Europe that year. More sophisticated, higher-margin bearing products and range extensions are expected to boost future value growth.

Private label products with the highest market shares include dairy, dry groceries and frozen foods. There has been significant growth in prepared meals, exotic dishes and frozen desserts. Much potential exists for these and other premium or fantasy products at the high end of the private label range. The growing market for and popularity of private label foods should offer Canadian producers even more opportunities in coming years.

Private label products are overpowering brand-name products on supermarket shelves. Retailers are setting brand-name products aside to less visible locations, and are charging for and limiting the space available to them.

Price competition has become intense among food retailers in France. Promotional activity at the point of sale is the newest approach, including additional quantities for the same price, special two-product packages, sampling, brochures, recipe cards. In addition, food suppliers are adjusting their merchandising strategies and using games, contests, collector items and other gadgets to target children, whose influence on purchasing decisions has increased substantially. Canadian companies need to ensure that they provide competitive pricing, adequate advertising and aggressive sales strategies when introducing new products to the French market. In acquiring or maintaining market share, new product development is especially important in mature markets or food sectors where brand products have a strong presence.

Key Factors Shaping Market Growth

The primary factor driving the development of private label foods is the desire of retailers to increase gross margins. In turn, larger profit margins allow retailers to be increasingly competitive.

On the part of consumers, rising price consciousness and an increasing acceptance of private labels are encouraging the continuous growth of these products.

Europe experienced a number of food security crises in recent years, including the dioxin contamination in poultry, salmonella in eggs, the bovine spongiform encephalopathy (BSE) or mad cow disease in the United Kingdom, and the contamination of Coca-Cola products in Belgium and France. These food scares, as well as growing concern for the environment, are behind an increasing demand for environmentally friendly and ecologically sound products, such as meals containing free-range eggs; products that are free of additives and chemicals; and foods that are organically grown or packaged in biodegradable materials.

Products containing GM ingredients have become the major current issue affecting sales in the food sector. Frightened by the food scares and uncertain of the long-term effects of GM foods, consumers are very untrusting of these products. According to a 1999 survey on consumer behaviour, 37% of French consumers boycott GM products altogether; 34% are willing to buy genetically altered foods, but at a discounted price, believing that they are of lower quality and/or because they believe that the savings of producing such products should be shared; and 29% of consumers accept and are willing to buy biotech products. Some consumers from the latter group (14%) are even prepared to pay more for GM products, believing that they are high-value products.

The study also concludes that the percentage of people opposing GM food is generally higher than the percentage of people informed about GM products. Nonetheless, food manufacturers and retailers are responding to market concerns and modifying their sourcing, production and marketing strategies.

An important consideration for success is the establishment of a trusted private label brand image. Consumers who purchase private label foods that offer good quality for a good value are more likely to purchase additional private label brand products from the same retailer. Since most retailers offer competitively priced brand-name items, the selection of private label products is one of the few factors that differentiates one retailer from another. Once customers find a private label brand that they like, they tend to be loyal to that product.

The growth of private label foods is also a response to consumer demand for a wider selection of items. A broad selection of brands or flavours of an item can arouse consumer interest in a specific product. Although consumers may perceive that they are getting a wider selection of foods, in many cases a private label product has replaced a brand-name item and the overall number of products has stayed the same. The difference is that private label products now account for a greater share of the overall market.

Alliances are becoming increasingly popular in Europe. National brands are developing into pan-European brands as supermarket chains conquer new markets and thus expand the market for their private label products.

Opportunities

There is a considerable need for the continuous supply of private label products to established markets like France. Although high costs associated with transportation, taxes and duties may limit opportunities for Canadian manufacturers, premium quality and value-added foods such as prepared meals, exotic dishes and frozen desserts are growing in popularity and may present increased opportunities for Canadians in the French market. Other opportunities for Canadian exports exist for, but are not limited to: convenience foods, cereal products, snack foods, frozen foods, organic foods, fruit juices, bottled water, baby food, and pet food.

Convenience Foods

The consumer's main demand is convenience. The retail food industry forecasts a 2% annual shift from traditional groceries to convenience foods. Over half of chilled ready meals are private label and substantial growth potential exists for products such as ethnic meals, meat and fish dishes, fresh soups or salads, pastas and specialty meals packaged with accompanying seasonings, sauces or dressing. Sales of chilled ready meals are expected to increase on average by 7% per annum over the next few years. Opportunities for other convenience foods include dairy, breakfast foods, snack foods and soft drinks.

Cereal Products

Although per capita consumption of breakfast cereals is still lower in France compared to the United States or the United Kingdom, it is increasing. Since cereals are more popular with children than adults, the children's cereal sector is the most important, taking a 52.3% share of the market. The other driving force in this market is the growing demand for health-oriented products. Growth of the cereal market is expected to be of 34.9% for the period of 1998 to 2003, reaching a value of over $1 billion (nearly FF4 billion).

Snack Foods

The market for cookies (cookies, biscuits and crackers) is experiencing continuous growth. Sweet cookies, a traditional product in France, is the most important sector, representing a 73% share in volume and value terms. Name brands are facing increasing competition from private labels in this market, which is forecast to grow by 15.1% from 1998 to 2003, reaching a value of nearly $3.1 billion (FF12.2 billion). Sales of sweet cookies alone are expected to grow by 7% for the same period, reaching a value of nearly $2.3 billion (FF9 billion).

Due to the snacking trend, a variety of new products have been developed for the savoury snacks market. Nuts represent the largest sector, accounting for 35.4% of market value. Sales of savoury snacks have increased by 13% from 1994 to 1998 and are expected to grow by 20% by 2003, reaching a value of over $1.2 billion (FF5 billion).

Manufacturers are adding benefits to convenience products in order to tap into the growing healthy-eating trend. Danone is now promoting an aloe vera yogurt developed to nourish and moisturize the body.

Frozen Foods

With an ever increasing amount of households owning a freezer (55%) and a microwave (53%), consumers are turning to frozen foods to cut down on food preparation time and breaking away from the French tradition of shopping daily for fresh products. Private labels represent a 34% share of frozen foods in value terms and a 38.8% share in volume terms, according to a 1999 AC Nielsen study.

Sales of frozen foods increased by 2.7% in 1998, while the frozen prepared foods and dough products sector was up by 2.9%. The frozen vegetable products, which include french fries, represent 39% of the market and increased by 4.3% in 1998. Private labels represent 73.9% of mixed frozen vegetables in volume terms and 69.8% in value terms. The frozen ready meals sector achieved impressive growth of 7% while accounting for 41% of frozen foods. The frozen food market is forecast to grow by 31.1% by 2003, reaching 1282 million tonnes. Sales of frozen ready meals alone are expected to increase by 48.1% in volume terms by 2003.

Growth is surprisingly very strong in the frozen bakery sector. French consumers are traditionally known for enjoying fresh baked goods, but are now realizing that frozen products can achieve that just-cooked taste at

home. Frozen bakery volume has increased from a 4% share of frozen foods in 1996 to an astounding 18.9% in 1998.

The market for ice cream, yogurt and chilled desserts increased by 7.7% from 1994 to 1998, and is forecast to grow by another 17.8% by 2003, reaching $9 billion (FF35.8 billion). Sales of chilled desserts, the largest sector with a 37% share, totalled $3 billion (FF11.9 billion) in 1998 and should increase by 6.6% by 2003.

Organic Foods

Organic food is becoming mainstream. There is a strong demand for products other than the basics, such as pasta, dairy products, dry groceries and ready meals. Strong growth is expected in the organic food market with sales reaching $1.6 billion (FF6.4 billion) by 2003.

Fruit Juices

Health awareness will only intensify over the next few years, increasing the demand for nutritional drinks while alcoholic ones become less popular. Private labels represent 44% of total fruit juice sales in France. Retailers' offerings range from value to premium products. Bipolarization has become a significant trend in France, with consumers buying mostly either at the high end of the product spectrum or at the economy level.

In the pure juice sector, price is often the only way for manufacturers to differentiate themselves and becomes the deciding factor for customers. Private label juices are able to deliver high quality at reduced prices, making them very competitive. To keep up with private labels, brand names must make greater marketing efforts and keep introducing new, value-added products. From 1993 to 1997, sales of private label fruit juice increased by 60.5% in volume terms. Although a somewhat limited segment of the market, premium products such as fresh, chilled pure juices and "juice with bits" are the types of products capable of making an impact with some customers, while offering higher profit margins.

Bottled Water

There has been tremendous growth in the bottled water sector, consisting of still water products and higher-end sparkling and flavoured waters. Still water is the leading sector, due to its healthy image -- compared to carbonated drinks -- and because it is also increasingly used for cooking. A growing number of households are purchasing bottled water because of quality concerns regarding tap water or simply for health reasons. There is a high level of private label penetration in this sector.

Baby Food

The French market for baby food increased by 20% from 1994 to 1998. Formula milk, the largest sector, accounts for nearly 40% of sales. The baby food market is forecast to increase by 28% by 2003, reaching a value of over $1.2 billion (over FF5 billion).

Pet Food

The pet food market increased by 9.6% from 1994 to 1998 to reach $3.5 billion (FF13.9 billion). Dog food, the largest sector, accounts for about half of market value. Sales of dog food are expected to grow by 4.6% by 2003.

Actual and Planned Projects

In response to consumer concerns, many retailers and manufacturers including Carrefour, Unilever, Heinz, Nestlé, Mars and Cadbury have reduced or banned GM products from their product lines. However, some retailers might reconsider their stance toward GM if nutritional benefits can be proven in the future.

In the meantime, the European Union has licensing rules in place that require approval before any genetically modified organism can be marketed in Europe: only 18 permits have been granted to date. The EU passed an additional rule in January 2000, obligating food suppliers to label products containing ingredients with more than 1% of GM material.

In a quest to develop markets and become increasingly competitive, there have been quite a few mergers and acquisitions of manufacturing as well as retailing companies, thus reshaping the food sector. The most influential in Europe was the takeover in 1999, of ASDA, a retail chain in the United Kingdom, by the world's largest retailer Wal-Mart. Just in the previous two years, Wal-Mart had penetrated the German market by acquiring hypermarkets from Wertkauf and Spar Handels (Interspar).

French retail giants Carrefour and Promodès recently announced a merger creating the largest retail chain in France, as well as in Europe, and the second-largest shopping chain in the world. This event might encourage further consolidation in the industry by pushing other competitors into mergers or acquisitions. There had been rumours that both Carrefour and Promodès were actually considered as potential takeover targets for Wal-Mart,

who will now keep a close eye on the rest of the French market. With less competition in the retail market, manufacturers will likely feel greater pricing and private labelling pressures.

By purchasing Société Bretonne de Salisons in September 1998, Smithfield Foods, a manufacturer of the United States, now serves every major grocery retailer in France and holds a significant 18% share of the French private label processed meat market.

COMPETITIVE ENVIRONMENT

Local Capabilities

Domestic producers currently dominate the production of private label products. Since cost was originally the overriding factor in the development of private label foods, French retailers chose French manufacturers to produce their private label foods. However, the growing demand for high-quality and value-added private label foods will provide increased opportunities for foreign producers to enter the market.

Some of the leading food manufacturers in France are Danone, Eridania, Lactalis, Sodiaal, Nestlé and Unilever. In the past year, there have been quite a few mergers and acquisitions of manufacturing companies reshaping this sector. Many are looking to increase their penetration of European markets.

International Competition

EU countries are in the best position to supply French retailers with imported private-label foods. Products from these countries are subject to lower tariff levels than are Canadian products and have a geographical advantage. However, with cost being the determining factor in the private-label market, even other EU countries may have difficulty competing with French producers for the rights to supply retailers with certain private-label foods. Countries which have highly developed private-label markets, such as the United Kingdom and Germany, will provide the greatest competition out of the EU countries.

Canadian Position

Shipping costs, tariffs and duties put Canadian manufacturers at a significant disadvantage when attempting to compete in the French market for private-label foods. As a result of these barriers, the best opportunities for Canadian manufacturers likely lie in forming joint ventures with, or licensing a French company to sell Canadian products. Canadian producers may be able to compete with foreign companies in the production of medium- to higher-end private-label foods, since value-added and premium products provide market niches and greater profit margins.

Competitive Advantage Through Canadian Government Policies and Initiatives

Agri-Food Trade Program

The Agri-Food Trade Program (AFTP) is a cost-shared contribution program designed to support Canadian agri-food industry activities in areas of market readiness, market access and market development. The objective of the AFTP, which combines the Agri-Food industry Market Strategies (AIMS) and Agri-Food Trade 2000 (AFT2000) programs, is to increase sales of agriculture, food, and beverage products in domestic and foreign markets.

A priority of the AFTP is to encourage Canadian agri-food associations and alliances to develop and implement sectoral export market development strategies to improve their global competitiveness. For more information on this program, and others supported by Agriculture and Agri-Food Canada, please visit http://www.agr.ca/progser/.

Canadian Commercial Corporation

The Canadian Commercial Corporation (CCC) gives Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. The CCC will also act as a prime contractor on behalf of Canadian small and medium-sized enterprises, giving those businesses increased credibility and competitive advantage.

Export Development Corporation

Export Development Corporation (EDC) offers export financing and insurance to Canadian exporters. Additionally, insurance can be provided for larger transactions that are subject to the terms and conditions established by the buyer. EDC prefers to work through letters of credit, bank credits or bank guarantees. Approval for financing is considered on a case-by-case basis.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

New Exporters to Overseas

The New Exporters to Overseas (NEXOS) program helps Canadian companies that have not yet exported to Europe. NEXOS introduces the essentials of exporting and provides practical information and first-hand exposure to European markets. Contact the Department of Foreign Affairs and International Trade, European Business Development Section (RENB) or visit http://www.infoexport.gc.ca/nexos-e.asp for more information about NEXOS.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PRIVATE-SECTOR CUSTOMERS

French consumers want health and enjoyment from food. They prefer sweeter and milder products rather than spicy and salty ones. The younger generation, consisting of 26% of the population, enjoys international foods with distinctive tastes such as Tex-Mex or California cuisine. Because of the availability of information and choice in the marketplace, consumers are generally becoming more aware of prices, sales and value. The French are especially price-conscious consumers.

One of the main factors that determine if a customer will choose a private label product over a brand-name product is the price differential between the two. Although price is an important issue, quality is also a consideration. Wages are increasing at an annual rate of 2.7%, which leads to greater spending and a stronger demand for premium products. In 1998, French consumers spent 17.6% of their budget on food expenditures, which were up 3.5% from the previous year. Annual food expenditures are $3,236 (US$2,181) per capita.

When private label products were first introduced in France, they were perceived as a cheaper, but inferior alternative to brand products. Consumers' image of private label products has improved tremendously. People are now more aware of the products and consider them to be on the same footing as national brands.

Young French people are especially interested in private label foods. According to a recent survey by the Private Label Manufacturers Association, more than half of the market basket items were private label products for 21% of French consumers under the age of 25.

Customers who find satisfaction in a private label product tend to get attached and develop a certain loyalty to the retailer's brand. Not only do they continue purchasing the same product but they are also inclined to try other products of the same private label brand.

Private label products are able to attract and satisfy a wider scope of consumers by offering a diversified range of products. Thrifty shoppers will opt for budget items, value-driven clients will be comfortable in the middle of the range, while customers with additional disposable income will buy more luxurious products at the premium end of the line.

Over the years, more women have joined the workforce (47.9% of women were employed outside the home in 1999), increasing the number of households with both parents working outside the home. In general, people are working longer hours, eating on the go, moving away from traditional meals and eating patterns, and becoming more cosmopolitan. Because of their changing lifestyles, French consumers are demanding greater convenience and variety through a wider range of foods that require little or no preparation, such as fresh and frozen ready meals, processed and snack foods, and specialty meals.

There is an increasing share of single-person households (30% of the population), which means that suppliers will have to incorporate smaller portions and foods with longer shelf lives into their product lines.

Also rising in popularity are lower-fat, vegetarian and organic foods serving the growing number of health-conscious consumers.

MARKET LOGISTICS

Channels of Distribution

The retail food market in France is dominated by large grocery outlets, which represented 77.2% of the value of sales in 1998. The hypermarkets alone captured 43% of sales in that same year. The five key players are Intermarche Entreprises, Centre Leclerc, Groupe Auchan, Groupe Carrefour and Promodès (now together since the merger discussed in the section *Actual and Planned Projects*), making up over 56% of total grocery retail sales. Promodès is the most dynamic player at the moment, experiencing sales growth of 16.1% in 1998.

France is estimated to have nearly 7200 supermarkets and hypermarkets. It is expected that France will have the highest growth in supermarket numbers in Europe over the next few years. Hypermarkets are very popular because they offer one-stop shopping, free parking and lower prices through economies of scale. The growing strength of the large retail outlets have helped to support private label growth by conveying trust and reliability to their customers.

Although representing a smaller share of the market, discount stores offering limited product lines at low prices are also good channels for private label products. The main players in this market are Carrefour, Intermarche, Casino, Aldi, and Lidl.

Private label sales represent 23% of supermarket and hypermarket sales. All major chains and some of the smaller retailers have developed their own-label product lines.

Table 1. Private Label Products as a Percentage of Total In-store Products, 1998

Retailer	Market Share	% of Private Label Products
Carrefour (before merger)	12%	25%
Intermarche	15%	20%
Leclerc	9%	15%
Promodès (before merger)	8%	12%
Auchan	6%	11%

Distribution to French retailers is possible through importers or by selling directly to the retailer's central buying office.

Table 2. Major French Retailers' Distribution

Retailer	Type	# of outlets
Carrefour (before merger)	Hypermarket, Supermarket, Discount	1397
Intermarche	Supermarket, City Centre, Discount	2149
Leclerc	Hypermarket	537
Promodès (before merger)	Hypermarket, Supermarket, City Centre	1304
Auchan	Hypermarket, City Centre	441
Casino (Opera Group)	Supermarket, City Centre, Discount	1267

There has been a wave of consolidation in Europe's food market as retailers look to expand their markets, create

economies of scale and cut operating costs. Large supermarkets first envision becoming pan-European, then to later expanding to global markets creating very sophisticated distribution channels.

Distributors and Wholesalers

Engaging French wholesalers and distributors is an excellent method through which to introduce a product to the French market. Distributors are legally bound to ensure that all imported products adhere to the French/EU food regulations. To ensure national distribution, it may be necessary to use more than one distributor or agent.

When seeking the services of a distributor or wholesaler, exporters should consider the relationship that these individuals have with local governments, buyers and banks; the condition of their facilities; and their willingness and ability to keep inventory. Canadian producers are advised to review the provisions of French/EU law with a qualified lawyer before entering into an agreement with a prospective partner.

Agents and Sales Representatives

Agents are also excellent channels to introduce new products into the French market. While agents solicit business and enter into agreements on behalf of the exporter they represent, they do not take ownership over the products they sell.

An exporter must weigh a number of factors when selecting an agent, including:

- region(s) covered by the agent;
- `reputation;
- product knowledge;
- experience in handling the exported product;
- commission to be paid;
- what (if any) after-sales service is provided;
- track record; and
- size and quality of the agent's staff.

These attributes can best be assessed during a visit to France. Manufacturers should also ensure that responsibilities are clearly defined before entering into a long-term relationship.

Market-entry Considerations

Suggested Business Practices

There are major cultural differences that affect virtually every aspect of business relationships. The French business community is one of conservative formality, and in order to establish successful business relationships, Canadian exporters need to understand and adapt to French customs.

Attention to detail is key to success in France. Everything from speaking the language to a knowledge of French history and culture can help an exporter establish their products within in the market.

Bureaucracy is a factor in almost all business conducted in France. The French have a keen interest in technicalities and few business people will break with the established hierarchy in order to complete a deal. Canadian exporters will need patience and understanding in order to avoid frustration.

Import Regulations

As a member of the European Union, France follows the Community Integrated Tariff (TARIC) system, which applies duties to all imports from non-EU countries. A local value-added tax (VAT) of 5.5% is also applied to most food imports. EU/French import regulations, duties, and tariff-rate-quotas serve to limit the range of foreign products entering the market and protect domestic industries. Combined with transportation costs, these factors usually result in higher-priced Canadian products.

Canadian producers should consult with French agents/distributors to determine applicable tariff rates.

Local Standards, Certificates or Registrations

All products that are exported to France must be accompanied by a standard set of shipping documents. Additional documents may expedite the processing of goods at the French border, but due to the complexity of French/EU regulations, Canadian exporters should request any additional information from the importer prior to shipping. It is recommended that Canadian exporters use the services of a French customs broker, importer, agent or distributor to ensure that all essential documentation is correctly prepared and arrives with the shipment. All documents should be completed in both French and English to avoid unnecessary delays.

Commercial Invoice

The commercial invoice serves as a bill to the buyer from the exporter and must accompany every shipment to France. Invoices should be thoroughly checked, since any error or omission can result in delays, fines or even confiscation. Invoices must include the following information:

- place and date of issue;
- names and addresses of importer and exporter;
- detailed description of the merchandise, including identifying marks, quantities (in units customary to international trade), numbers and varieties;
- method of shipment;
- signature of responsible officer, along with name and title;
- all insurance and freight charges; and
- shipper's invoice number and customer's order number.

Exporters should consult with their customs broker to determine how many copies of the commercial invoice should be sent with each shipment, since the number required varies according to the product being shipped. Any promotional information should also be included with the commercial invoice.

Export Declaration Form (Form B-13)

Export shipments valued at $2,000 or greater must be accompanied by an Export Declaration Form (Form B-13). Although exporters are technically responsible, agents, brokers or carriers typically complete and submit the form on behalf of the exporter.

Packing List

A packing list is necessary when multiple packages are shipped, unless the commercial invoice provides the required information. This list should include:

- the number of packages within one case;
- the net, gross and legal weights of each case, and of the total shipment; and
- the volume of individual packages, as well as of the shipment as a whole.

Between four and seven copies of the packing list should be included in any shipment, depending on the product being shipped.

Bill of Lading

The bill of lading is the shipper's recognition of receipt of the shipment. Each shipment may contain a set of bills of lading, one copy of which should be kept on file, while other copies are sent to the importer and customs broker. The bill of lading should include:

- description of the product(s);
- weights and measurements of the packages and their types;
- ports of origin and destination;
- names and addresses of shipper, importer and customs broker;
- any freight or other charges incurred;
- number of bills of lading in the full set; and
- carrier's acknowledgment of receipt "on board" of the goods for shipment.

Depending on the product, it may be necessary for exporters to include storage temperature and requirements on the bill(s) of lading.

Certificate of Origin

A certificate of origin verifies that the goods originate in Canada and are therefore subject to all duties or taxes that apply to Canadian products.

Packaging and Labelling

It is recommended that Canadian exporters examine both French and EU regulations regarding packaging and labelling standards. All imported agri-food labels must be in French and include the following:

- name of the product;
- statement of what the product is;
- expiry date and any storage requirements;
- product's country of origin;
- alcohol content, by volume (when applicable);
- manufacturer's lot or batch number;
- nutritional information;
- list of ingredients and weights in metric units; and
- list of additives, preservatives, or colouring used.

In order to harmonize systems throughout the European Union, a new directive requiring metric-only labelling came into force on January 1, 2000.

Authentication of Documents

Documents that need to be authenticated, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf, must first be notarized in Canada. Exporters can have the notarized documents authenticated, at no cost, by sending them to the Department of Foreign Affairs and International Trade, Authentication and Service of Documents (JLAC).

Export Credit Risks, Restrictions on Letters of Credit, Currency Controls

France currently implements no restrictions on letters of credit or currency controls.

Generally, the method of payment is a matter for negotiation between the individual supplier and importer. Usual practice is for payment to be made by terms of a letter of credit for 30 to 60 days. In cases where distribution arrangements are concluded, exporters are advised to prepare a contract detailing all major points of agreement, rights, and responsibilities.

PROMOTIONAL EVENTS

Event/Description	Organizer
SIAL 2000 October 22-26, 2000 Paris Nord Villepinte Exhibition Center Paris, France International food and beverage exhibition.	Promosalons Canada 1200 Bay St., Suite 503 Toronto, ON M5R 2A5 Tel.: (800) 565-4443 or (416) 929-2562 Fax: (416) 929-2564 E-mail: info@promosalons.ca Internet: http://www.sial.fr/index.htm
SIRHA: Salon des Métiers de Bouche - The International Catering, Hotel, Food and Beverage Show January 20-24, 2001 Eurexpo Lyon, France A leading food and wine event in France, and one of the premier events in Europe.	SIRHA B.P. 87 - 69683 Chassieu Cedex, France Contact: François Thiery, SIRHA Sales Representative Tel.: (33-4) 7222 3272 Fax: (33-4) 7222 3218 E-mail: fthiery@sepelcom.com Internet: http://www.sirha.com
Private Label Manufacturers (PLMA) Show May 23-24, 2000 RAI Exhibition Centre Amsterdam, Netherlands International show exclusive to manufacturers, agents and retailers. Largest private label show in Europe.	Private Label Manufacturers Association 369 Lexington Ave. New York, NY USA 10017 Tel.: (212) 972-3131 Fax: (212) 983-1382 Internet: http://www.plma.com/events/events.asp Contact: Debra Best
Food Ingredient Europe November 5-7, 2001 ExCeL International Exhibition Centre London, United Kingdom One of the world's leading event for the food industry. Rotates among London, Frankfurt and Paris.	Miller Freeman B.V. PO Box 200 3600 AE Maarssen, Netherlands Tel.: (31-3) 4655 9444 Fax: (31-3) 4657 3811 E-mail: fi@unmf.com Internet: http://www.fi-events.com
Ethnic and Specialty Food Show 2000 June 20-22, 2000 Bercy-Expo Paris, France The only exhibition in France solely dedicated to ethnic and specialty food products. The audience consists of French and European supermarket buyers.	Paris Bercy Expo 40, avenue des Terroirs de France 75611 Paris, Cedex 12, France Tel.: (33-1) 4474 5035 Fax: (33-1) 4474 5067 E-mail: ethnicfoodmail@aol.com Contact: Antoine Bonnel

KEY CONTACTS AND SUPPORT SERVICES

Canadian Support Services

Canadian Embassy in France
35, avenue Montaigne
75008 Paris, France
Tel.: (33-1) 4443 2900
Fax: (33-1) 4443 2998
Internet: http://www.dfait-maeci.gc.ca/paris
E-mail: paris-td@dfait-maeci.gc.ca

Agriculture and Agri-Food Canada
International Markets Bureau
930 Carling Avenue, 10th Floor
Ottawa, ON K1A 0C5
Tel.: (613) 759-7726
Fax: (613) 759-7506

Alliance of Manufacturers & Exporters Canada
75 International Blvd, 4th Floor
Toronto, ON M9W 6L9
Tel.: (416) 798-0000 or (613) 563-9218
Fax: (416) 798-8050
Internet: http://www.the-alliance.com
E-mail: national@the-alliance.com

Business Development Bank of Canada
#400, 5 Place Ville Marie
Montreal, Quebec
Tel.: 1-888-463-6232
Fax: (514) 283-0617
Internet: http://www.bdc.ca

Canadian Commercial Corporation
Metropolitan Centre
50 O'Connor St., Suite 1100
Ottawa, ON K1A 0S6
Tel.: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: http://www.ccc.ca
E-mail: info@ccc.ca

Canadian Food Inspection Agency
59 Camelot Dr.
Nepean, ON K1A 0Y9
Tel.: (613) 225-2342
Fax: (613) 228-6653
E-mail: cfiamaster@em.agr.ca

Department of Foreign Affairs and International Trade
125 Sussex Dr.
Ottawa, ON K1A 0G2
Internet: http://www.dfait-maeci.gc.ca

Authentication and Service of Documents (JLAC)
Tel.: (613) 992-6602
Fax: (613) 992-2467

Market Support Division (TCM)
Tel.: (613) 995-1773
Fax: (613) 943-1103

Tariffs and Market Access Division (EAT)
Tel.: (613) 992-2177
Fax: (613) 992-6002 or 944-4840

Western Europe Division (REO)
Tel.: (613) 995-8269
Fax: (613) 995-5772

Export Development Corporation
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: 1-800-850-9626 or (613) 598-2500
Fax: (613) 598-6697
Internet: http://www.edc.ca
E-mail: export@edc4.edc.ca

International Trade Centres
For export counselling or publications for Canadian exporters, call 1-888-811-1119.

Agriculture and Agri-Food Canada

The Agri-Food Trade Service regional contacts are:

Al McIsaac
St. John's, NF
Tel.: (709) 772-0330
E-mail: mcisaaca@em.agr.ca

Marc Chénier
Montréal, QC
Tel.: (514) 283-3815 (510)
E-mail: chénierm@em.agr.ca

Roy Gordon
Regina, SK
Tel.: (306) 780-7134
E-mail: gordonr@em.agr.ca

Chris Pharo
Charlottetown, PEI
Tel.: (902) 566-7310
E-mail: pharoc@em.agr.ca

Sharon Burke
Guelph, ON
Tel.: (519) 837-5831
E-mail: burkes@em.agr.ca

Rodney Dlugos
Edmonton, AB
Tel.: (403) 495-5526
E-mail: dlugosr@em.agr.ca

Shelley Manning
Halifax, NS
Tel.: (902) 426-2137
E-mail: mannings@em.agr.ca

Fay Abizadeh
Winnipeg, MB
Tel.: (204) 983-8622
E-mail: abizadehf@em.agr.ca

Margaret Bancroft
New Westminster, B.C.
Tel.: (604) 666-3054
E-mail: bancroftM@em.agr.ca

Bernard Mallet
Moncton, NB
Tel.: (506) 452-3732
E-mail: malletb@em.agr.ca

French Government Contacts

Customs, Taxes and Documentation Information Centre (Centre de Renseignements Douaniers)
84, rue d'Hauteville
75010 Paris, France
Tel.: (33-1) 5324 6818
Fax: (33-1) 5324 6830
E-mail: dgddicrt01@calva.net

Ministry of Agriculture and Fisheries
Food Quality Control and Promotion
251, rue de Vaugirard
75015 Paris, France
Tel.: (33-1) 4955 4955
Fax: (33-1) 4955 4850
Internet: http://www.agriculture.gouv.fr (French only)

Ministry of the Economy, Finance and Industry
Customs and Excise Division
23, rue de l'Université
75700 Paris, France
Tel.: (33-1) 4024 6520
Internet: http://www.finances.gouv.fr (French only)

International Trade Division
139, rue de Bercy
75012 Paris, France
Tel.: (33-1) 4024 6520

Labelling and Ingredients Regulation
59, boulevard Vincent Auriol
75783 Paris Cedex 13, France
Tel.: (33-1) 4497 3230
Fax: (33-1) 4497 3043
E-mail: herve.pottier@dgccrf.finances.gouv.fr

Industry Contacts

Chamber of Commerce and Industry of Paris
North America Desk Officer
2, rue de Viarmes
75001 Paris, France
Tel.: (33-1) 4508 3600
Fax: (33-1) 4508 3580

Confederation of Food and Drink Industries of the EU (CIAA)
113, avenue des Arts
1040 Brussels, Belgium
Tel.: (32-2) 514-1111
Fax: (32-2) 511-2905

European Federation of Frozen Food Manufacturers (FAFPAS)
172, avenue de Cortenberg, Bte 6
1000 Brussels, Belgium
Tel.: (32-2) 743-0800
Fax: (32-2) 736-8175

European Food Law Association (EFLA)
235, rue de la Loi
1040 Brussels, Belgium
Tel.: (32-2) 230-4845
Fax: (32-2) 230-8206

French Federation of Business and Distribution Entreprises (Fédération des Entreprises du Commerce et de la Distribution)
8, place d'Iéna
75008 Paris, France
Tel.: (33-1) 4434 6950
Internet: http://www.fcd.asso.fr (French only)

French National Food Industry Association (Association Nationale des Industries Alimentaires - ANIA)
155, bd Haussmann
75008 Paris, France
Tel.: (33-1) 53 83 86 00
Fax: (33-1) 45 61 96 64
E-mail: infos@ania.net
Internet: http://www.ania.net/home.asp

International Private Label Manufacturers Association
369 Lexington Ave.
New York, NY USA 10017
Tel.: (212) 972 3131
Fax: (212) 983-1382
Internet: http://www.plma.com

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Houston Chronicle. "Soft-drink sector stocks lose pop as troubles sidetrack Coke, Pepsi," October 4, 1999.

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Points de Vente. "France: The rise of private labels," December 16, 1998.

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United States Department of Agriculture. "Food and Agricultural Import Regulations and Standards Report: France," August 2, 1999.

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—. "Promotion Opportunities Report: France," January 12, 2000.

—. "Retail Food Sector Report: France," November 18, 1999.

The *Wall Street Journal*. "As Wal-Mart Invades Europe, Rivals Rush to Match its Formula," October 6, 1999.

The *World Trade Atlas*. "France Imports from the World," March 1999.

OTHER REFERENCE MATERIAL

Useful Internet Sites

Agriculture and Agri-Food Canada, Agri-Food Trade Service: http://ats.agr.ca

Bank of France: http://www.banque-france.fr

Canadian Food Inspection Agency: http://www.cfia-acia.agr.ca

Department of Foreign Affairs and International Trade: http://www.dfait.maeci.gc.ca

European Central Bank: http://www.ecb.int

ExpoGuide: http://www.expoguide.com

ExportSource: http://exportsource.gc.ca

French trade offices in Canada: http://www.dree.org/canada (French only)

InfoExport: http://www.infoexport.gc.ca

Ministry of Agriculture and Fisheries (France): http://www.agriculture.gouv.fr/index.htm (French only)

Ministry of Economy, Finance and Industry (France): http://www.finances.gouv.fr (French only)

Ministry of Foreign Affairs (France): http://www.diplomatie.gouv.fr

Private Label - Exclusive Brands Interchange: http://www.pl-eb.com

Private Label Expo: http://www.privatelabelexpo.com

Strategis: http://strategis.ic.gc.ca

Tradeport: http://www.tradeport.org

Trade Show Central: http://www.tscentral.com

U.S. Department of Agriculture: http://www.fas.usda.gov

World Bank: http://www.worldbank.org

Table 3: Currency Conversion Rates for the Canadian dollar, the French Franc and the U.S. dollar (using average annual rates)

Currencies	1994	1995	1996	1997	1998	1999
Canadian dollar to French franc	4.0609	3.6347	3.751	4.2139	3.9822	4.1507
French franc to Canadian dollar	0.2459	0.2753	0.2667	0.2376	0.2523	0.2415
Canadian dollar to US dollar	0.7322	0.7289	0.7334	0.7224	0.6747	0.6732
US dollar to Canadian dollar	1.3661	1.3724	1.3635	1.3846	1.4837	1.4857
US dollar to French franc	5.5448	4.988	5.1148	5.8348	5.8958	6.1633
French franc to US dollar	0.1807	0.2006	0.1956	0.1716	0.1699	0.1625

Source: IDD Information Services, *Tradeline*, January-June 2000.

READER EVALUATION

Please help the Team Canada Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?

☐ InfoCentre FaxLink system ☐ Government worldwide web site
☐ InfoCentre help line ☐ InfoCentre bulletin board system
☐ Local government office ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?

☐ Print ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.

☐ Seek an agent/distributor
☐ Visit the market
☐ Do more research
☐ Other: _____
☐ Contact Canadian trade office abroad
☐ Participate in a trade show abroad
☐ Nothing

5. What other market reports would be of benefit to your organization? Please identify specific products and countries.

_____

_____

6. Which of the following categories best describes your organization? Check one only.

☐ Processor/manufacturer
☐ Trading house
☐ Export service provider
☐ Industry/trade association
☐ Government
☐ Student/academia
☐ Consultant
☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?

☐ Less than 10 million
☐ 10 million to 50 million
☐ More than 50 million
☐ Not applicable

Additional comments/suggestions for improvement:

_____

_____

_____

OPTIONAL — The name of your organization is: _____

_____

1. All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, Tradeline, January 2000. Please see Table 3 on page 28.

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